

Addendum to the Federal Direct Consolidation Loan Application and Promissory Note

The Higher Education Reconciliation Act of 2005 (HERA) changed some of the terms of Federal Direct Consolidation Loans (Direct Consolidation Loans) made under the William D. Ford Federal Direct Loan (Direct Loan) Program. As a result, certain terms of the loan(s) you receive under the accompanying Federal Direct Consolidation Loan Application and Promissory Note (Application and Promissory Note) differ from the terms described in the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive.

This Addendum describes the changes made by the HERA to the terms of Direct Consolidation Loans. Your loan is subject to these changes. The loan term changes explained in this Addendum are incorporated into and made a part of the accompanying Application and Promissory Note that you sign, the Borrower's Rights and Responsibilities, and any accompanying materials you may receive. In this Addendum, the term "Application and Promissory Note" includes the Additional Loan Listing Sheet and the Instructions for Application and Promissory Note. You should keep a copy of this Addendum.

- 1. Graduate and Professional Students may borrow Direct PLUS Loans.** *Effective for loans originated on or after July 1, 2006*, a graduate or professional student may borrow a Direct PLUS Loan or Federal PLUS Loan and may consolidate PLUS loans into a Direct PLUS Consolidation Loan. All references to "Parent PLUS loans" or "Parent Loan" throughout the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive are understood to include PLUS loans made to graduate or professional students.
- 2. Borrowers who wish to consolidate PLUS loans are no longer subject to credit checks.** *Effective for Applications and Promissory Notes received on or after July 1, 2006*, there is no longer a requirement that borrowers who wish to consolidate PLUS loans into a Direct Consolidation Loan must not have an adverse credit history, and credit checks will not be conducted on such borrowers. All references to adverse credit history and endorsers in any accompanying materials you may receive no longer apply.
- 3. Application and Promissory Note, Section C: Spouse Information, and all references to consolidating jointly with your spouse throughout the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive.** *Effective for Applications and Promissory Notes received on or after July 1, 2006*, a married couple may no longer borrow a Direct Consolidation Loan as joint borrowers. You do not need to complete Section C of the Application and Promissory Note or provide other information relating to your spouse or your spouse's loans.
- 4. Application and Promissory Note, Section E: Repayment Plan Selection; Borrower's Rights and Responsibilities, Item 6: Repayment; and information about repayment plan options in any accompanying materials you may receive.** *Effective for Direct Consolidation Loans that enter repayment on or after July 1, 2006*, the following changes apply to the Standard, Graduated, Extended, and Income Contingent repayment plans:
Standard Repayment Plan. If you choose this plan, you will make fixed monthly payments and repay your Direct Consolidation Loan in full within 10 to 30 years, depending on the amount of your loan and the amount of your other student loan debt.
Graduated Repayment Plan. If you choose this plan, your payments will be lower at first and will then increase over time, generally every two years. You will repay your Direct Consolidation Loan in full within 10 to 30 years, depending on the amount of your loan and the amount of your other student loan debt.
Extended Repayment Plan. You may choose this plan only if (1) you had no outstanding balance on a Direct Loan Program loan as of October 7, 1998 or on the date you obtained a Direct Loan Program loan on or after October 7, 1998, and (2) you have an outstanding balance on Direct Loan Program loans that exceeds \$30,000. Under this plan, you will make monthly payments based on fixed annual or graduated repayment amounts and will repay your loan in full over a period not to exceed 25 years (not including periods of deferment or forbearance) from the date your loan entered repayment. Your payments must be at least \$50 per month and will be more, if necessary, to repay the loan within the required time period.
Income Contingent Repayment Plan. Direct PLUS Consolidation Loan borrowers are no longer prohibited from choosing the Income Contingent Repayment Plan. Any Direct Consolidation Loan that enters repayment on or after July 1, 2006 may be repaid under this plan.
- 5. Application and Promissory Note, Section E: Repayment Plan Selection, and information on repayment plan options in any accompanying materials you may receive.** *Effective for Direct Consolidation Loans that enter repayment on or after July 1, 2006*, the Direct PLUS Consolidation Loan portion of a Direct Consolidation Loan may no longer be repaid under a different repayment plan from the Direct Subsidized and/or Direct Unsubsidized Consolidation Loan portion of a Direct Consolidation Loan. A Direct Consolidation Loan must be repaid under a single repayment plan. In Section E of the Application and Promissory Note, Item 31, the repayment plan choices listed for "STUDENT LOANS" apply to all portions of a Direct Consolidation Loan. The repayment plan choices listed for "PARENT

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LOANS” no longer apply. To choose a repayment plan for your Direct Consolidation Loan, place an “X” in the appropriate box for one of the repayment plans listed for “STUDENT LOANS”.

- 6. Application and Promissory Note, Section F: Promissory Note, Grace Period and Repayment; Borrower’s Rights and Responsibilities, Items 5 and 6, Grace Period and Repayment; and references to in-school consolidation and grace periods in any accompanying materials you may receive.** *Effective for Applications and Promissory Notes received on or after July 1, 2006*, loans that are in an in-school period may no longer be consolidated into a Direct Consolidation Loan, and there are no longer any conditions under which a Direct Consolidation Loan will receive a grace period. All references to the grace period and to consolidating loans that are in an in-school period no longer apply in the case of Direct Consolidation Loans for which the application was received on or after July 1, 2006.
- 7. Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** *Effective for Applications and Promissory Notes signed on or after July 1, 2006*, by signing your Application and Promissory Note you are certifying, under penalty of perjury, that if you have been convicted of, or have pled *nolo contendere* or guilty to, a crime involving fraud in obtaining federal student aid funds under Title IV of the Higher Education Act of 1965, as amended, you have completed the repayment of those funds to the U.S. Department of Education, or to the loan holder in the case of a Title IV federal student loan.
- 8. Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** *Effective July 1, 2006*, paragraph (2) is revised to read as follows:
“I certify that I do not now owe an overpayment on a Federal Perkins Loan, Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Academic Competitiveness Grant (ACG), National Science or Mathematics Access to Retain Talent (SMART) Grant, or Leveraging Educational Assistance Partnership Grant, or if I owe an overpayment, I have made satisfactory arrangements with the holder to repay the amount owed. I further certify that I am not now in default on any loan I am consolidating or, if I am in default, I have either made a satisfactory repayment arrangement with the holder of that defaulted loan, or I will repay under the income contingent repayment plan.”
- 9. Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** *Effective July 1, 2006*, paragraph (4) is revised to read as follows:
“I certify that I do not have any other application pending for a Federal Consolidation Loan with any other lender. Unless I am consolidating a Federal Consolidation Loan that has been submitted to the guaranty agency by the lender for default aversion or that has defaulted, I further certify that if none of the loans I am consolidating is a Direct Loan Program loan, I have sought and been unable to obtain a Federal Consolidation Loan from a FFEL Program lender, or a FFEL Program lender would not provide me with a Federal Consolidation Loan with income-sensitive repayment terms that are acceptable to me.”
- 10. Borrower’s Rights and Responsibilities, Item 2, Loan Identification Numbers.** *Effective for Applications and Promissory Notes received on or after July 1, 2006*, unless you are consolidating a Federal Consolidation Loan that has been submitted to the guaranty agency by the lender for default aversion or that has defaulted, you may not consolidate a Direct Consolidation Loan or a Federal Consolidation Loan unless you include at least one additional eligible loan in the consolidation.
- 11. Borrower’s Rights and Responsibilities, Item 2, Loan Identification Numbers, paragraph 2a.** *Effective for Applications and Promissory Notes received on or after July 1, 2006*, Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (NDSL) will be consolidated under the same loan identification number as the unsubsidized loans listed in paragraph 2b and will be treated as unsubsidized loans after they are consolidated.
- 12. Borrower’s Rights and Responsibilities, Item 9, Discharge.** *Effective July 1, 2006*, all or a portion of a Direct Consolidation Loan is also eligible for discharge if it is determined that the borrower’s eligibility for one or more of the FFEL or Direct Loan program loans that were consolidated was falsely certified as a result of a crime of identity theft.
- 13. Borrower’s Rights and Responsibilities, Item 11, Deferments.** *Effective July 1, 2006, if all of the Title IV loans included in a Direct Consolidation Loan were first disbursed on or after July 1, 2001*, a borrower may receive a deferment on the Direct Consolidation Loan for a period of up to three years during which the borrower is serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency.